



# ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

Vol. XXXIII — No. 9

SERVING OVER 320,000 MEMBERS

March 2008



## Oh, Bob!

Editorial

**B**ob Martin is a retired state employee who is now the editor and publisher of *The Montgomery Independent*, a weekly newspaper. As the investor in 93 dailies and 50 weeklies, the RSA knows the difficult problems facing this industry. Weekly newspapers are especially difficult for the publisher to be successful simply because of the competition. They tend to be very local and require finding, or making up, news that others do not cover on a daily basis.

Mr. Martin's "claim to fame" as a state employee was to defend the Judicial Retirement Fund (JRF), which at one time was probably the most outrageous in the country. Only after a Special Session of the State Legislature and numerous amendments was the JRF made more reasonable, even with Mr. Martin objecting all through the process.

In our great country, anyone can say just about anything. Mr. Martin's first stories about RSA's construction on the historic Supreme Court Building were certainly opposing views, but within reason. However, his last editorial in January was way out-of-line for the following reasons:

### According to Bob

*"...he was wrong in making a huge investment in Enron."*

*"...unlikely that such a building...will help renovate and fill those empty downtown buildings..."*

*"...wrong to attempt to spring this development on the people..."*

*"...unsure when the investment will be profitable...or whether there ever will be a return..."*

*"...start calling Dr. Bronner's bosses...we have listed the boards on page 6."*

### RSA reply

*Everyone in the country had it in their portfolio; the RSA would have been criticized for not having it. Besides, we are the only fund to get back 90% of that money!*

*There are 18 empty storefronts falling down within six blocks, so anything helps!*

*Conspiracy Bob, the old building that you worked in to get the highest judicial benefits in the country has been vacant for 15 years!*

*In your own story, it is stated that it should fill up in one year (Mobile), or as long as four years (RSA Tower – Montgomery), but all are highly profitable.*

*You have lost it! But you have to love someone who looks like Santa.*

## WANT TO HELP?

### A FREE Car Tag



Tired of that worn-out dealer tag on the front of your car? Would you like to help the RSA and our Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call Tisha or Deborah to request a tag at (334) 242-5718, or 800-214-2158 ext. 1503, or write:

Tag • P.O. Box 302150 • Montgomery, AL 36130-2150

## U.S. Supreme Court "Go Ahead and Rip-Off Investors"

By David G. Bronner

**A**s manager of other people's money, if I said: "I am glad WorldCom and Enron happened a few years ago!" you would be shocked.

Anyone who has studied the history of labor and big business, as well as the relationship in the courts between big business and individuals, knows that after a series of wins by either side, the tide will turn. Once one side goes overboard, public reaction will force a return to the middle. Often it swings too far to the other side.

Recently, the U.S. Supreme Court, with its strong Republican majority, won high praise from the Association of Manufacturers and the U.S. Chamber of Commerce for its 5-3 decision in *Stoneridge Investment Partners v. Scientific-Atlanta*. The facts in the case are not in dispute. Charter persuaded its vendors, Scientific-Atlanta and Motorola, to inflate their prices and use the windfall to buy advertising on the cable system. When the financial picture came to light, the Charter stock collapsed and a lawsuit was filed. The court held that Charter's co-conspirators were not liable to the investors for their role in the fraud.

The RSA is fortunate to have great attorneys fighting for us. When the

*Continued on page 3*

# Editorial: Mobile Press-Register

**H**ere's a good New Year's resolution for the Alabama Legislature: Make the state's tax system at least as fair and balanced as Mississippi's.

The beginning of the new year and the beginning of the tax season bring discouraging reminders that Alabama continues to impose some of the highest tax rates in the nation on the poor and the near-poor. It's about time the state stopped being a leader in regressive taxation and started reforming its archaic, dysfunctional tax system.

Legislators took a baby step in the direction of greater tax fairness in 2006, when they approved raising the state's disgracefully low threshold for the income tax from \$4,600 for a family of four to \$12,600. Even with the higher threshold, Alabama still taxes family incomes well below the federal poverty level.

The Public Affairs Research Council of Alabama pointed out last year that the changes in the tax code didn't have much impact on Alabama's status as a high-tax state for the poor. According to a report released last year by the Center on Budget & Policy Priorities, Alabama is No. 1 in the amount of income tax levied on families with incomes below the federal poverty line.

Alabama's neighbor, Mississippi, brings up the rear in many national rankings, but the Magnolia State is outpacing Alabama in tax fairness. The Center on Budget & Policy Priorities

pointed out that Mississippi's income tax threshold is \$19,600, making it one of the least regressive states, at least in terms of income taxes, in the Southeast.

Also, Mississippi's tax system received good marks for balance in a study done by Rob Landry, a professor at Jacksonville State University. In a balanced tax structure, the tax burden is distributed fairly evenly through income taxes, sales taxes and property taxes.

By contrast, Alabama relies heavily on the sales tax. Not only is the sales tax regressive—it hits the poor much harder than the wealthy—but it's also an unreliable revenue source that fluctuates with the economy.

Why can't Alabama at least aspire to Mississippi's level of sound, fair taxation? It's true that many Alabama lawmakers would rather pick up a live grenade than touch the topic of tax reform. But surely they can see that regressive taxation increases the volatility of state revenues and makes their most difficult legislative task—passing a balanced budget—even more challenging.

Maybe in 2008 the Legislature can make a little progress in closing the tax gap with Mississippi. Gov. Bob Riley's proposal to raise the income tax threshold to \$15,000 is a good place to start."

*(Editor's Note: The RSA agrees 100%, but what new source of taxes do you suggest as the replacement!)*

# Phishing for a Refund!

**T**ax season is here and phishing techniques have ramped up faster than the auditors. Phishing is a form of identity theft where the intent is to steal someone's valuable personal data, such as credit card numbers, passwords, account data, or other information via email, a phony Web site, a phone call, or even by going through someone's trash.

The IRS has issued warnings to taxpayers to be aware of several current e-mail and telephone scams that use the IRS name as a lure. Scams involving proposed advance payment checks, also known as the "economic stimulus package," have already started popping up.

One scam tries to lure in consumers by telling them they are eligible for a large rebate for filing their taxes early. All they need to do in order to obtain the rebate is to give the phony IRS employee their bank account information so their refund check can be direct deposited. If consumers refuse, they are told they cannot receive a rebate. This is a scam, as the IRS does not "solicit" taxpayers for personal information such as bank account numbers and Social Security numbers. The IRS also does not send unsolicited, tax-account related emails to taxpayers requesting them to provide personal information.

Identity thieves typically utilize stolen identity information to exhaust victims' bank accounts, apply for new loans or credit cards, or file fraudulent tax returns, many of which can be completed electronically via the Internet. Consumers should report any type of tax scam to the IRS by emailing [phishing@irs.gov](mailto:phishing@irs.gov). For more information about current tax scams, visit the IRS Web site at [www.irs.gov](http://www.irs.gov) and type in "identity theft" or "phishing" in the search bar located in the upper right corner of the Web site.

## TRS Members Re-elect Mrs. Sallie B. Cook

**M**rs. Sallie B. Cook has been re-elected in a runoff for the Retired Position No. 2 for the TRS Board of Control. Mrs. Cook will begin a three-year term on July 1, 2008.

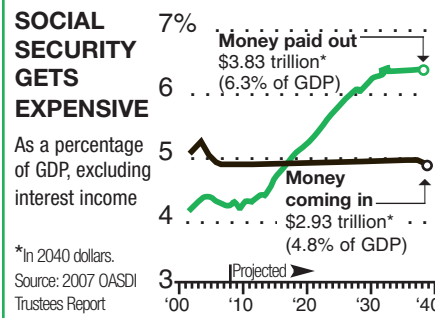
## Business & Education

Source: *Kiplinger*

**E**mployers are grabbing the education baton and running hard, getting more aggressive and more involved in improving schools. They won't give up on policymakers...they still want them to do more...but they know that government can't get the job done on its own.

The need to act is unmistakable. The U.S. ranks 21<sup>st</sup> in science and 25<sup>th</sup> in math among 57 developed nations. The high school dropout rate is stuck at 30%...50% for minorities. And many students who do graduate lack the skills they will need to succeed in college or the workplace.

## A Real Problem



# RSA puts \$5.8B into Economy

By Phillip Rawls, *The Associated Press*

A statewide study found Alabama's pension and health insurance plans for public employees affect every county and have a \$5.8 billion impact on the state's economy.

'The numbers were so big they surprised me,' said David Bronner, chief executive of the Retirement Systems of Alabama.

Bronner got the Center for Business and Economic Research at the University of Alabama to do the study. He got the idea from similar studies that were done in Texas and California after public employees' benefits came under criticism.

The study found that in 2006, the state pension system issued \$1.7 billion in benefits to retired state workers and education employees, with \$1.6 billion going to Alabama residents.

Alabama's two health insurance plans for active and retired state workers and education employees spent \$1.4 billion, with \$1.3 billion of that going to Alabama hospitals, pharmacies, physicians and other health-care providers.

The combined economic impact of the pension and health-care benefit pay-

ments once they got into the economy was \$5.8 billion, or 3.6 percent of Alabama's gross domestic product for 2006, the study said.

That impact also resulted in 62,930 jobs, according to the study.

The study did not take into account the economic impact of the hotels, office buildings and golf courses developed by the state pension system.

Every county has active and retired state employees and school workers, which means every county benefits financially from the pension and health-care plans. The study said the impact of the employees' benefits in 2006 ranged from \$493 million in Jefferson County to \$3.9 million in Cleburne County.

Montgomery County, the seat of state government, measured \$285 million. Mobile County had \$235 million, Tuscaloosa County tallied \$171 million, Madison County received \$161 million, and Baldwin County posted \$92 million.

Without that impact, 'there wouldn't be nearly as many Burger Kings, McDonalds and hospitals,' Bronner said."

## Legislative Update

By Lindy J. Beale, Legislative Counsel



The 2008 Regular Session of the Alabama Legislature has convened with predictions that the Legislature will face a difficult session due to the lack of necessary revenue.

Governor Bob Riley presented the Education Trust Fund Budget and the General Fund Budget, both of which saw significant cuts in spending. The RSA is very pleased, however, that the TRS employer rate will be funded at the requested level. As for PEEHIP, the Governor's budget fully funds the active employees' health care costs, but to fully fund retiree health care costs, PEEHIP will have to utilize the newly created Alabama Retired Education Employees' Health Care Trust.

For non-education state agencies, most were only granted what they were

given last year or were "level funded." This means that the agencies were not given additional money in their budgets to cover the required increase in the ERS employer rate beginning October 1, 2008, nor additional dollars to pay the 3.5 percent raise awarded to state employees in Act 2007-297. This does not mean that ERS active employees will not receive the raise or that the agencies will not pay to the RSA the increased employer rate. Rather, it means that agencies will simply have to cut costs somewhere else in their budgets.

There is also no money budgeted for any type of TRS or ERS retiree COLA. For updates to Legislation affecting the RSA, visit our Web site at [www.rsa.state.al.us](http://www.rsa.state.al.us) and click on the Legislation button.

## Investors

*Continued from page one*

WorldCom and Enron frauds occurred, the RSA was able to recoup 89% of its losses in WorldCom and about 90% in Enron. These recoveries did not come from the companies that were made worthless through the fraud of their crooked officers, but from the accountants and investment banking firms that were paid by these crooks to aid them in carrying out frauds.

The U.S. Supreme Court's most recent ruling basically says, "Too bad for investors." Now it will be much harder to collect from the accountants and investment banking firms without showing that investors relied on the co-conspirators who made the fraud possible.

## ERS Board Seeks Candidates for Upcoming Election

Candidates are now being sought for the Elected Retired Local Employee position for the ERS Board of Control. The election will take place this June. The nominee must be a retired member of the ERS by virtue of employment with a local agency (city, county, town, public or quasi-public agency). This position is a three-year term beginning October 1, 2008, and ending September 30, 2011. This position is currently held by Mr. Clyde O. Sellers.

Nomination packets are available on our Web site at [www.rsa.state.al.us](http://www.rsa.state.al.us) or you may contact Deborah Kirk at 800-214-2158 extension 1573. The completed petition must be returned to the ERS office by 4:00 p.m., April 15, 2008.

### LEDs BY THE NUMBERS

	INCANDESCENT	LED
Life span	1,000 hours	Up to 60,000 hours
Bulb cost	67¢	\$35
Cost of electricity*	\$360	\$12

Note: Comparison is for a 60-watt incandescent bulb vs. a 2-watt LED bulb  
\*Based on 60,000 hours at 10¢ per kwh Data: C. Crane



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- May 1–8, 12–20, 22–23, 30–31

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Mobile – \$69**

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- May 1–3, 11–12, 15–17, 25–29

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- May 7–9, 15, 18, 26–29

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- Mar. 1–3, 9–10, 16–17, 21–22, 30–31
- Apr. 16–17, 27–30 • May 4–6, 19–20, 26–27

**Renaissance Ross Bridge – Hoover – \$79**

- Mar. 9, 16, 23–24, 30 • Apr. 13–14, 20–21, 27
- May 4, 26–28

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- Mar. 2, 6, 16–17 • Apr. 6, 9–15, 27
- May 1–5, 11–12, 19–31

**Prattville Marriott – \$69**

- Mar. 1, 8–9, 18–23, 30–31
- Apr. 1, 6, 20–23
- May 4, 8–13, 18–21, 23–31

**Renaissance Montgomery – \$79**

- Mar. 2–9, 11–12, 16, 20–24, 27, 29–31
- Apr. 6, 12–14, 18–21, 23, 25–26, 30
- May 1, 8–13, 18, 24–31

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*These rates are not applicable to groups or conventions.*

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The 2008 Trail Card for \$39.95 plus tax, is perfect for those who play several times a month. By saving from \$10 to \$45 every time you play (savings vary by location), the Trail Card more than pays for itself. It is our way of saying thank you to Alabama residents who have supported The Trail. You can also receive 15% off the retail price of RTJ Golf Trail merchandise, discounted range balls, plus a 10% discount off personal golf instruction from any RTJ golf professional.

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